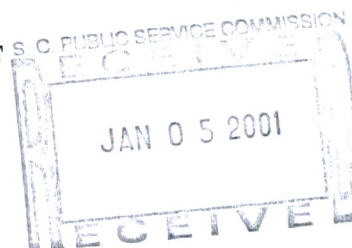


POSTED  
01-5-01

BEFORE THE  
SOUTH CAROLINA PUBLIC SERVICE COMMISSION

PREFILED REBUTTAL TESTIMONY OF

GREGORY R. FOLLENSBEE



ON BEHALF OF

AT&T COMMUNICATIONS  
OF THE SOUTHERN STATES, INC.

DOCKET NO. 2000-527-C

JANUARY 5, 2001

RETURN DATE: 01-05-01  
SERVICE: OK DJ

1 **Q. PLEASE STATE YOUR NAME, ADDRESS AND EMPLOYMENT.**

2 **A.** My name is Gregory R. Follensbee. I am employed by AT&T Corp. ("AT&T")  
 3 as a Director in its Law & Government Affairs organization, providing support  
 4 for AT&T's regulatory and legislative advocacy in the nine states that make up  
 5 AT&T's Southern Region. My office is at 1200 Peachtree Street, Suite 8100,  
 6 Atlanta, Georgia 30309.

7  
 8 **Q. DID YOU PREFILE DIRECT TESTIMONY ON DECEMBER 7, 2000 IN**  
 9 **THIS PROCEEDING?**

10 **A.** Yes, I did.  
 11

12 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

13 **A.** I will be rebutting the testimony of Mr. Ruscilli for all issues being arbitrated in  
 14 this proceeding. Since direct testimony was filed, the parties have agreed to  
 15 remove issue 13 (Voice over Internet Protocol) from consideration by the  
 16 Commission at this time, and defer the issue to the generic docket established for  
 17 this issue (Docket No. 98-651-C).  
 18

19 **ISSUE 1: SHOULD CALLS TO INTERNET SERVICE PROVIDERS BE**  
 20 **TREATED AS LOCAL TRAFFIC FOR PURPOSES OF RECIPROCAL**  
 21 **COMPENSATION?**

1     **Q.     ON PAGE 3 OF HIS DIRECT TESTIMONY, MR. RUSCILLI STATES**  
 2           **THAT ISP-BOUND TRAFFIC CONSTITUTES ACCESS TRAFFIC. DO**  
 3           **YOU AGREE?**

4     A.    No. The FCC has clearly stated that ISP-bound traffic is not subject to interstate  
 5           access charges, and that a state commission is free to determine that such traffic is  
 6           local for purposes of compensation. BellSouth has not presented any new or  
 7           additional evidence that access charges should apply to such traffic. In fact, the  
 8           FCC has expressly prohibited access charges being applied to this traffic.  
 9           Furthermore, according to BellSouth's position, AT&T would not receive any  
 10          compensation for completing the originated traffic of BellSouth end users that  
 11          dial up an ISP served by AT&T. Clearly, the FCC did not intend for an ILEC to  
 12          be able to utilize the network of another carrier without paying for such use.

13  
 14    **Q.     WHAT HAPPENS IF THIS COMMISSION FINDS THAT ISP-BOUND**  
 15          **TRAFFIC SHOULD NOT BE TREATED AS LOCAL TRAFFIC?**

16    A.    The result is that AT&T is unable to recover legitimate costs it incurs to handle  
 17          calls originated by BellSouth customers. In addition, BellSouth avoids paying  
 18          costs its customers have caused, and thus its stockholders benefit. None of  
 19          BellSouth's customers will benefit from such a finding, as BellSouth will not pass  
 20          on this savings in the form of lower rates. Additionally, the competitive market in  
 21          South Carolina will be damaged, as it will send a signal to CLECs to forgo  
 22          serving any ISPs as local customers.

23

1   **Q.    ON PAGE 4 OF HIS DIRECT TESTIMONY, MR. RUSCILLI STATES**  
2       **THAT IT MAKES NO SENSE FOR ONE LEC TO PAY ANOTHER TO**  
3       **COMPLETE CALLS THAT ARE ISP-BOUND. DO YOU AGREE?**

4   **A.**    No. Mr. Ruscilli's response to the question of whether it makes sense is totally  
5       based on the assumption that these calls are access service, and thus one LEC  
6       would not charge another LEC for such calls. The FCC has clearly stated that no  
7       access charges may be applied to anyone – carrier or customer – when the call is  
8       ISP-bound. In fact, it has stated that it would be legitimate for state commissions  
9       to order the paying of reciprocal compensation by one LEC to another until such  
10      time as the FCC decides on a more appropriate compensation scheme. This is  
11      why so many state commissions have rendered such decisions. They have  
12      determined that supporting the ILEC position is not in the public interest.

13  
14   **Q.    ON PAGE 6 MR. RUSCILLI STATES THAT IT MADE NO SENSE THAT**  
15       **CONGRESS INTENDED FOR THE ACT TO CREATE A WINDFALL**  
16       **FOR CLECS, AS IT APPLIES TO ISP-BOUND TRAFFIC BEING**  
17       **TREATED AS LOCAL, RESULTING IN RECIPROCAL**  
18       **COMPENSATION BEING PAID BY ONE LEC TO ANOTHER. DO YOU**  
19       **AGREE?**

20   **A.**    Absolutely not. Congress has never made a finding that ISP-bound traffic is or is  
21       not local. It left the determinations of what is local traffic to the FCC and state  
22       regulatory commissions. Moreover, it has not created a windfall to CLECs. The  
23       decision by the FCC to let state commissions determine how to treat ISP-bound

1 traffic has resulted in most state commissions finding that CLECs have incurred  
 2 costs to handle these calls and thus they should be compensated for these costs.  
 3 What BellSouth has not said is that if the FCC ever accepted BellSouth's proposal  
 4 to have both BellSouth and AT&T treat this traffic as access service and were  
 5 thus permitted to charge ISPs for this service, then CLECs would recover even  
 6 more revenue, given the high rates for access service versus the lower rates for  
 7 reciprocal compensation. The difference is that instead of ILECs such as  
 8 BellSouth bearing the cost, as most state commissions have ordered, it would  
 9 have been the ISPs. In either case, the CLECs would rightfully earn the revenue  
 10 they receive to reflect the cost they incur to handle these calls.

11  
 12 **Q. MR. RUSCILLI ALSO STATES THAT THESE REVENUES REPRESENT**  
 13 **NEW REVENUES AND NOT COST RECOVERY FOR COMPLETING**  
 14 **LOCAL CALLS ORIGINATED BY BELL SOUTH END USERS. DO YOU**  
 15 **AGREE?**

16 **A.** No. The revenues collected by CLECs and by BellSouth for completing these  
 17 calls to ISPs represent costs that are incurred by local exchange providers, just as  
 18 they are for voice calls. When the call leaves the BellSouth network and is turned  
 19 over to the CLEC for completion, the CLEC uses its transport and switching  
 20 facilities to take the call to the ISP just as the CLEC does for any local exchange  
 21 customer. To say that these dollars don't represent cost recovery for completing  
 22 these calls is simply wrong.

1   **Q.    ON PAGE 7, MR. RUSCILLI STATES THAT NEITHER THE LOCAL**  
2       **EXCHANGE RATES NOR THE LOCAL INTERCONNECTION RATES**  
3       **WERE SET TO RECOVER COSTS ASSOCIATED WITH PROVIDING**  
4       **NON-LOCAL SERVICE. DO YOU AGREE?**

5   **A.**   No. Speaking to local interconnection rates first, I find it hard to believe that Mr.  
6       Ruscilli really believes that the rates this Commission set for local interconnection  
7       did not contemplate ISP-bound calls. What Mr. Ruscilli fails to mention is that  
8       the rates set by this Commission for local switching and local transport were for  
9       exchange and exchange access service, not just exchange service as he implies.  
10      Since Mr. Ruscilli has already stated that ISP-bound calls are access service, then  
11      the rates set should be adequate to address this traffic. When AT&T performed  
12      its cost studies for local switching and local transport, it took into consideration  
13      all traffic that those facilities would handle. If BellSouth failed to do the same, it  
14      should not now use this as its rationale for opposing the treatment of this traffic as  
15      local. On the other hand, AT&T would have no objection to resetting the local  
16      switching rate at the level that AT&T recommended, as opposed to the one set by  
17      this Commission.  
18      As to local exchange rates, BellSouth has presented no evidence in this case that  
19      local rates are not covering its cost. Again, it is ironic that BellSouth would  
20      announce to Wall Street in past years that one of the reasons its profits were so  
21      high is the sale of second lines to residences, knowing full well that for the most  
22      part many of these lines were being used to dial-up the Internet. Yet, BellSouth  
23      now contends this is a problem because of the fact that competitors are offering

choices to ISPs, who are abandoning BellSouth's local service for the CLECs' local service. Clearly this was not a problem when BellSouth was providing 100% of the service to both dial-up customers and ISPs.

**Q. MR. RUSCILLI STATES THAT BECAUSE THE FCC'S PREVIOUS FEBRUARY 26, 1999 DECLARATORY RULING WAS VACATED BY THE COURT OF APPEALS FOR THE DISTRICT OF COLUMBIA, THEN A STATE COMMISSION CANNOT FIND THAT ISP-BOUND TRAFFIC IS LOCAL. DO YOU AGREE?**

A. No. If such were the case, then all state commission orders issued since the D.C. Circuit Court rendered its decision would be unlawful. No federal court has made such a ruling when asked to render an opinion on the lawfulness of state commission findings that ISP-bound traffic is to be treated as local. This Commission is free to make such a finding.

**Q. HAS THE FCC RENDERED ANY FURTHER DECISION SINCE THE D.C. CIRCUIT COURT VACATED THE FCC'S DECLARATORY RULING?**

A. No. To date, the FCC has made no further ruling on how to treat this traffic. Clearly it does not oppose the findings of the many state commissions that have found this traffic to be local for purposes of compensating LECs for the use of their networks when handling ISP-bound calls, or it would have opposed such orders when they have come up for review in various federal courts.

1

2 **Q. WHAT IS AT&T ASKING THIS COMMISSION DO?**

3 A. AT&T is asking that this Commission find that ISP-bound traffic be treated as  
 4 local traffic for purposes of compensating AT&T when handling calls originated  
 5 from BellSouth end users.

6

7 **ISSUE 6: UNDER WHAT RATES, TERMS, AND CONDITIONS MAY**  
 8 **AT&T PURCHASE NETWORK ELEMENTS OR COMBINATIONS TO**  
 9 **REPLACE SERVICES CURRENTLY PURCHASED FROM BELL SOUTH**  
 10 **TARIFFS?**

11 **Q. ON PAGE 16 OF HIS DIRECT TESTIMONY, MR. RUSCILLI STATES**  
 12 **THAT IF THE END USER IS CURRENTLY UNDER A CONTRACTUAL**  
 13 **AGREEMENT WITH BELL SOUTH, THEN THE TERMS OF THE**  
 14 **RETAIL AGREEMENT OR CONTRACT THAT ARE APPLICABLE TO**  
 15 **EARLY TERMINATION, INCLUDING PAYMENT OF EARLY**  
 16 **TERMINATION LIABILITIES, MUST BE SATISFIED. HE FURTHER**  
 17 **STATES THAT IF A CONTRACT IS TERMINATED EARLY, IT IS**  
 18 **APPROPRIATE FOR BELL SOUTH TO IMPOSE A CHARGE FOR**  
 19 **EARLY TERMINATION. DO YOU AGREE?**

20 A. No. Mr. Ruscilli's testimony addresses both retail end users and wholesale  
 21 purchasers. The issue upon which AT&T and BellSouth disagree pertains only to  
 22 AT&T as the wholesale purchaser of special access from BellSouth. In cases  
 23 where AT&T is the wholesale purchaser of special access, it is not appropriate for

BellSouth to apply early termination charges to AT&T. AT&T is not asking this Commission to determine if early termination penalties should apply when an end user who has purchased services directly from BellSouth wants to switch their local service to AT&T.

**Q. WHY IS IT INAPPROPRIATE FOR BELL SOUTH TO APPLY EARLY TERMINATION CHARGES WHEN AT&T SEEKS TO CONVERT A PURCHASE OF TARIFFED SERVICES TO A PURCHASE OF NETWORK ELEMENTS (OR COMBINATIONS OF NETWORK ELEMENTS)?**

**A.** First, AT&T is not a “retail user” of the tariffed services, as Mr. Ruscilli uses the term. AT&T purchases wholesale services from BellSouth. In these circumstances there should be no termination liability assessed when AT&T seeks to convert, not terminate, such tariffed services to unbundled network elements. The main reason termination liability charges should not apply is because BellSouth has not established that the termination charges are anything other than a huge penalty and an unjustified windfall. The penalty is not tied to any costs BellSouth incurs in processing the conversion. In fact, unlike when a retail end user changes providers from BellSouth to a CLEC, BellSouth is not losing AT&T as a customer. Rather, AT&T is merely seeking to change how the UNE combinations are billed.

It must be noted that AT&T was forced to purchase these tariffed services because BellSouth was unwilling to provide combinations of network elements in

lieu of special access as required by FCC rules. Rather than wait for the dust to settle on this issue, AT&T utilized the only option it had available. Furthermore, the FCC did not state or even imply that ILECs were free to impose a penalty upon CLECs for such conversions. What BellSouth seeks to do contravenes the clear intent of the FCC's Supplemental Order Clarification (Order No. FCC 00-183 released June 2, 2000 in Docket No. 96-98). If this Commission approves BellSouth's proposal, then BellSouth ultimately ends up with what it wanted all along –CLECs would not be able to use Enhanced Extended Loops (EELs) or other combinations to serve customers who are currently served through special access service. Additionally, if CLECs are required to pay termination charges, then it will have a chilling effect on competition. CLECs will not be able to pass on these additional and unwarranted costs to their customers.

**Q. DO YOU AGREE WITH MR. RUSCILLI ON PAGES 19 AND 20 THAT AT&T DID HAVE OTHER OPTIONS OTHER THAN PURCHASING SPECIAL ACCESS OUT OF BELL SOUTH'S TARIFFS?**

A. No. Mr. Ruscilli states that AT&T could have combined the UNEs itself to provide service to its local customers or could have purchased tariffed services under a month-to-month basis. Neither of these solutions is a viable solution. As to combining UNEs, the FCC and many state commissions have found that it is the responsibility of the ILEC to combine UNEs. What Mr. Ruscilli is saying is that absent AT&T performing the combining, there is no way BellSouth would allow AT&T to use combinations of network elements to serve a customer. As

1 the FCC and many state commissions have found, such a requirement is anti-  
 2 competitive and cost prohibitive. It is and was not a viable solution.

3 The same rationale applies to purchasing tariffed services on a month-to-month  
 4 basis. AT&T cannot compete against BellSouth by paying a higher price for what  
 5 BellSouth can provide to retail customers at lower costs. Under BellSouth's view  
 6 of "competition", it is cost prohibitive for a CLEC to attempt to enter the local  
 7 market. Thus, BellSouth is allowed to retain its stranglehold on the local market.  
 8 Clearly, this was not the intent of the 1996 Telecommunications Act.

9  
 10 **Q. WHAT DOES AT&T REQUEST REGARDING THIS ISSUE?**

11 **A.** AT&T asks that the Commission prohibit BellSouth from applying termination  
 12 charges when AT&T converts a purchase of tariffed services to a purchase of  
 13 network elements (or combinations of network elements), such as converting the  
 14 purchase of special access services to EELs.

15  
 16 **ISSUE 7: HOW SHOULD AT&T AND BELL SOUTH INTERCONNECT**  
 17 **THEIR NETWORKS IN ORDER TO ORIGINATE AND COMPLETE**  
 18 **CALLS TO END-USERS?**

19 **Q. MR. RUSCILLI USES THE TERMS POINT OF INTERCONNECTION**  
 20 **("POI") AND INTERCONNECTION POINT ("IP") IN HIS DIRECT**  
 21 **TESTIMONY. DO BELL SOUTH AND AT&T AGREE ON THE**  
 22 **MEANING OF THESE TWO TERMS?**

1 A. AT&T and BellSouth agree on the meaning of the terms, but AT&T cannot agree  
 2 with Mr. Ruscilli's incorrect usage of them. Mr. Ruscilli is quite clear in his  
 3 explanation of the terms Point of Interconnection ("POI") and Interconnection  
 4 Point ("IP"), but he is not entirely consistent in his application of these terms.  
 5 Indeed, as I will describe later in this testimony, Mr. Ruscilli misapplies FCC  
 6 rules addressing physical network interconnection as if these rules apply to the  
 7 establishment of IPs (strictly a financial matter)<sup>1</sup>. This Commission must be  
 8 careful to understand the basis and usage of these two terms throughout this  
 9 proceeding.

10  
 11 **Q. DOES MR. RUSCILLI ACCURATELY DESCRIBE THE DISPUTE**  
 12 **BETWEEN THE PARTIES ON THIS ISSUE?**

13 A. No. Mr. Ruscilli misstates AT&T's proposal in a number of respects.  
 14 First, AT&T has stated that it will establish two IPs in each LATA, unless there is  
 15 a *de minimus* volume of traffic that only justifies one IP. AT&T also agrees to  
 16 establish an IP for each AT&T switching center in the LATA. Accordingly, if  
 17 AT&T is successful in the South Carolina marketplace, AT&T will add switching  
 18 centers and will establish an additional IP for each switch it adds in a LATA.  
 19 Second, BellSouth fails to point out that AT&T proposes that the parties first  
 20 attempt to come to mutual agreement as to the location of each party's IP in each  
 21 LATA and that the IP be based on the terminating NPA-NXX. This is a far cry

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<sup>1</sup> When I refer to "POI" I am referring to the point where AT&T and BellSouth's networks physically interconnect. When I refer to "IP" I mean the point on the terminating party's network to which the

1 from the unilateral designation that Mr. Ruscilli asserts is required under AT&T's  
2 proposal.

3  
4 **Q. WHAT DO YOU UNDERSTAND BELLSOUTH'S PROPOSAL TO BE?**

5 A. First, that AT&T should be financially responsible for transporting its originating  
6 traffic all the way to each BellSouth end office in each BellSouth basic local  
7 calling area. Second, that AT&T should be financially responsible for  
8 transporting BellSouth's own originating traffic from some point in a BellSouth  
9 basic local calling area to AT&T's switch.

10  
11 **Q. HOW DOES AT&T'S PROPOSAL DIFFER FROM BELL SOUTH'S**  
12 **PROPOSAL?**

13 A. AT&T agrees that AT&T should be financially responsible for transporting  
14 AT&T's originating traffic to each BellSouth end office. This is consistent with  
15 applicable law and regulations. AT&T would provide the transport facilities  
16 between its switches and the BellSouth IP and AT&T would pay BellSouth a  
17 fixed, per-minute reciprocal compensation rate for the transport between the  
18 BellSouth IP and the BellSouth end office. This does not appear to be  
19 objectionable to BellSouth.

20 However, contrary to BellSouth's proposal, AT&T asks that BellSouth bear a  
21 reciprocal financial obligation for the transport of BellSouth's originating traffic  
22 and not arbitrarily shift the cost for such transport to AT&T. Thus, under

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originating party is obligated (*i.e.*, has financial responsibility) to provide network interconnection facilities

AT&T's proposal, for BellSouth's originating traffic BellSouth would provide the transport facilities between its switches and AT&T's IP and BellSouth would pay AT&T a fixed, per-minute reciprocal compensation rate for the transport between the AT&T IP and the AT&T end office.

With respect to the method that will be used to establish the IP locations in each LATA, AT&T proposes that the parties first attempt to come to mutual agreement as to the location of each party's IP in each LATA and that the IP be based on the terminating NPA-NXX. BellSouth, in contrast, proposes that the originating party have a unilateral right to designate where its traffic must be "picked up", meaning the IP would be based on the originating NPA-NXX. BellSouth's position is wrong, as I explain later, in that it forces AT&T to establish numerous IPs throughout the state and become responsible for BellSouth's originating costs, in direct conflict with existing law and FCC rules.

**Q. UNDER AT&T'S PROPOSAL WHAT WOULD BELL SOUTH HAVE TO DO?**

A. First, BellSouth would provide the transport facilities from the BellSouth switch from which the call originates to the same relative point on AT&T's network to which AT&T delivers its originating traffic on the BellSouth network. I use the term "top of the network" to identify that comparable point on each party's network. Each party's IP should be established at the top of its network.

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for the delivery of its originating traffic.

1 Second, BellSouth would pay AT&T the identical fixed, per-minute reciprocal  
 2 compensation rate for the transport that AT&T provides for the termination of  
 3 BellSouth traffic from AT&T's IP across AT&T's network.

4  
 5 **Q. WHY DOES AT&T BELIEVE THIS IS FAIR?**

6 A. As I stated in my direct testimony, AT&T's network covers a geographic area  
 7 comparable to that covered by BellSouth's network. Given this geographic  
 8 comparability, it is only fair that each party have comparable and equivalent  
 9 interconnection. The Commission should not give BellSouth's network  
 10 preferential treatment simply because it pre-existed local telephone competition or  
 11 is based on a traditional hierarchical network architecture. Conversely, the  
 12 Commission should not penalize AT&T because it has chosen a different network  
 13 design than that used by BellSouth. The real test for equivalency should be  
 14 geographic comparability that provides the two parties the means to effectively  
 15 compete. AT&T's network meets this test.

16  
 17 **Q. DO YOU AGREE WITH MR. RUSCILLI'S ASSERTION THAT**  
 18 **BELLSOUTH DOES NOT HAVE A NETWORK, BUT "A HOST OF**  
 19 **NETWORKS THAT ARE GENERALLY INTERCONNECTED"?**

20 A. No. Mr. Ruscilli made numerous claims throughout his testimony that BellSouth  
 21 has a "separate" network in each BellSouth basic local calling area.<sup>2</sup> Under

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<sup>2</sup> For example, on page 24 Mr. Ruscilli states that "With regard to 'local networks,' BellSouth, in any given LATA, has several such local networks, interconnected by BellSouth's long distance network. Again, on page 33 Mr. Ruscilli asserts that "BellSouth may have fifteen or twenty calling areas in the LATA."

1 scrutiny, such “Balkanization” of BellSouth’s network is nothing more than a  
2 semantic effort by BellSouth to buttress its theory as to why AT&T should  
3 interconnect wherever BellSouth determines.  
4

5 **Q. PLEASE EXPLAIN.**

6 A. There is no such thing as a “BellSouth local network” that can be physically  
7 separated and identified. BellSouth has not labeled each piece of switching or  
8 transmission equipment as “local-only”, “toll-only” or “access-only.” There is  
9 simply no business reason to do so. The assertion that a local-only network exists  
10 is contrary to the way that equipment and facilities are assigned to provide new  
11 services. BellSouth has designed a highly integrated network to provide  
12 BellSouth the flexibility to adjust to changes in traffic volumes of the various  
13 services it offers according to market conditions. In other words, a certain piece  
14 of equipment in the BellSouth network used today to provide local service may  
15 become spare and used tomorrow to provide a toll service. To do otherwise,  
16 would create a risk of stranding plant for some services and exhausting plant for  
17 other services.  
18

19 **Q. HOW DOES THIS APPLY TO LOCAL SWITCHING?**

20 A. The typical end office switch is used to originate and terminate local traffic,  
21 intraLATA toll traffic, and inter-exchange traffic from and to inter-exchange  
22 carriers. If BellSouth’s claim that it has deployed a “distinct” local network were  
23 true, then BellSouth would have deployed three separate local switches, one for

1 each type of traffic in each local calling area. BellSouth has not done so. That  
2 would be an inefficient design.

3 Another example of BellSouth network integration can be found in the manner in  
4 which BellSouth combines local, toll and access traffic on common trunks  
5 between its tandem switches and end office switches. BellSouth does not create  
6 separate trunk groups for each class of services. To do so would require that  
7 BellSouth install many additional trunks, since the period of peak traffic load  
8 often varies by the type of traffic. Accordingly, the call carrying capacity of a  
9 trunk group having a mix of traffic is greater than a single-use trunk group.

10 However, the most probative evidence that BellSouth's assertion about a basic  
11 local network in each BellSouth basic local calling area is inaccurate is  
12 BellSouth's use of local tandem switches. In South Carolina, BellSouth has more  
13 local calling areas than it has local tandems. The fact that BellSouth has fewer  
14 tandems than local calling areas means that, contrary to Mr. Ruscilli's assertions,  
15 BellSouth is routing some of its local traffic beyond the boundaries of its local  
16 calling areas for its own reasons. In fact, it would be very surprising to find that  
17 BellSouth did not subscribe to this common engineering practice. Every large  
18 local telephone company uses local tandem switches because it is the least costly  
19 method of interconnecting many end offices until certain traffic thresholds are  
20 reached, and this method provides alternative routing during peak traffic periods.  
21 For instance, in the South Carolina LATA, BellSouth has established eleven basic  
22 local calling areas, collectively served by a single local tandem. Using the  
23 implausible standard suggested by BellSouth, the Commission would conclude

1 that BellSouth has eleven “local networks”, each serving a basic local calling  
 2 area. In this specific case, as well as numerous other areas across the state,  
 3 BellSouth carries its local traffic beyond the basic local calling area, because that  
 4 is the least costly and most efficient way to provide telephony service.  
 5 BellSouth’s primary objection to AT&T’s proposal is its claim that it has one  
 6 network per basic local calling area, rather than one integrated network, and thus  
 7 a CLEC must provide physical interconnection at every one of these “basic local  
 8 networks.” However, BellSouth asks this Commission to reject AT&T’s proposal  
 9 on an incorrect premise. BellSouth’s network should not be viewed as an  
 10 integration of individual networks, but rather the integrated network that it is.  
 11 Moreover, Mr. Ruscilli’s claim of separate and distinct networks that require  
 12 multiple connections to each one is contradicted by his company’s own press  
 13 statements. In one press release, BellSouth states:

14 BellSouth’s e-Platform provides unique “bunker-  
 15 like” security and reliability against potential  
 16 natural and man-made disasters because BellSouth  
 17 utilizes “battle-tested,” existing facilities that have  
 18 weathered hurricanes like Hugo, Andrew, and  
 19 Floyd. BellSouth is also building upon some three  
 20 million miles of fiber optic cable, 1,650 central  
 21 offices, 50 BellSouth Managed Facilities, 15,000  
 22 Sonet rings and over 500 fast-packet switches with  
 23 its e-Platform initiative.<sup>3</sup>

24  
 25 In another press release, BellSouth touts itself as an “integrated communications  
 26 services company” that provides customers with “integrated voice, data, video,

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<sup>3</sup> *BellSouth Launches ‘E-Platform’ for Business; New E-Biz Centers to Unleash Power of Extensive, fiber-based Network*, BellSouth News Release (Sept. 26, 2000).

and data services to meet their communications needs.”<sup>4</sup> BellSouth cannot have it both ways. It cannot claim Balkanized specialized networks for competitors while touting integrated networks for its end user customers.

**Q. SHOULD THE BELL SOUTH BASIC LOCAL CALLING AREAS BE THE BASIS OF NETWORK INTERCONNECTION?**

A. No. BellSouth repeatedly asserts that AT&T should be required to pay for transport of BellSouth’s own local calls beyond the BellSouth basic local calling areas. Contrary to these assertions, basic local calling areas should not form the basis of network interconnection. First, basic local calling areas may be subject to substantial changes as BellSouth and CLECs seek competitive advantages to their respective local service offerings. A case in point is BellSouth’s Area Plus calling plan, which allows its customers to make local calls throughout a LATA on a flat-rate basis. Second, to be fair, interconnection should not be done solely on the basis of BellSouth’s existing basic local calling areas. Basic local calling areas bear no relationship to the geographic scope or capability of telecommunications equipment, such as switches. To base interconnection on BellSouth’s basic local calling areas would completely disregard the legitimacy of a CLEC’s local calling area, would discourage CLECs from expanding local calling areas for the benefit of customers and competition, and certainly would not be reciprocal or fair. Third, using BellSouth’s basic local calling areas as the basis of network interconnection substantially compromises the network efficiencies of the

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<sup>4</sup> *BellSouth Third Quarter EPS Increases 10%*, BellSouth New Release (Oct. 19, 2000).

1 alternative network architectures deployed by AT&T and other CLECs in South  
2 Carolina, forcing each CLEC into a BellSouth-look-a-like interconnection  
3 arrangement. Lastly, AT&T and BellSouth have agreed that most of the traffic  
4 within each LATA will be classified as local for purposes of compensating each  
5 other for completing the other party's calls. Thus, the local calling area for  
6 purposes of reciprocal compensation is now LATA wide.

7  
8 **Q. MR. RUSCILLI'S TESTIMONY PROVIDES SEVERAL EXAMPLES OF**  
9 **HYPOTHETICAL CALLS BETWEEN BELL SOUTH AND AT&T**  
10 **CUSTOMERS IN THE COLUMBIA LATA. HAS BELL SOUTH**  
11 **ACCURATELY REPRESENTED AT&T'S PROPOSAL IN THESE**  
12 **EXAMPLES?**

13 A. No. BellSouth's hypothetical examples are inaccurate in a number of respects.  
14 First, as I have previously stated, AT&T agrees that the parties should establish at  
15 least two IPs in each LATA in which AT&T offers local exchange service, unless  
16 there is a *de minimus* volume of traffic. For instance, this means that under  
17 AT&T's proposal, in the Columbia LATA, AT&T and BellSouth would each  
18 have an IP in two locations. Second, BellSouth fails to provide examples of calls  
19 originating on AT&T's network and terminating on BellSouth's network. Such  
20 examples show the inequitable nature of BellSouth's proposal.

**Q. WOULD YOU PLEASE PROVIDE ACCURATE EXAMPLES OF  
HYPOTHETICAL CALLS BETWEEN BELL SOUTH AND AT&T UNDER  
EACH PARTY'S PROPOSAL?**

**A.** Yes. First, assume that AT&T's has designated an IP in Columbia and an IP in Orangeburg.

1. An AT&T customer in Orangeburg calls a BellSouth customer in Orangeburg.

Under AT&T's proposal, AT&T would be financially responsible for providing the transport between its switching center (regardless of how distant) and the BellSouth IP in Columbia. In addition, AT&T would pay reciprocal compensation for the transport between the BellSouth IP in Columbia and the BellSouth end office in Orangeburg. AT&T may choose to avoid tandem switching and common transport reciprocal compensation payments by purchasing dedicated transport from the BellSouth IP in Columbia to the BellSouth end office in Orangeburg.

Under BellSouth's proposal, AT&T would be financially responsible for providing the transport between its switching center and the BellSouth end office where the call is to be terminated. AT&T may elect to route the traffic on dedicated transport or on common transport.

Although these proposals differ somewhat, there is little financial difference to the parties.

2. A BellSouth customer in Orangeburg calls an AT&T customer in Orangeburg.

Under AT&T's proposal, BellSouth would be financially responsible for providing the transport between its Orangeburg end office and the AT&T IP in Orangeburg. In addition, BellSouth would pay reciprocal compensation to AT&T for the use of AT&T's network to complete the BellSouth originated call.

Under BellSouth's proposal, BellSouth would only be financially responsible for providing the transport between its Orangeburg end office and IP located within the Orangeburg local calling area, that BellSouth designates, at its own discretion. AT&T would be financially responsible for providing the remaining transport for BellSouth's own originated calls between the BellSouth-designated IP and the AT&T switching center.

BellSouth does not pay AT&T a transport component or tandem switching component as a part of reciprocal compensation, only local switching.

The biggest difference between these proposals is that under BellSouth's proposal, AT&T must provide the transport from the BellSouth-designated IP across its network (from the Orangeburg IP to the AT&T switch) without any compensation for such costs from BellSouth.

3. An AT&T customer in Orangeburg calls a BellSouth customer in Columbia.

Under AT&T's proposal, AT&T would be financially responsible for providing the transport between its switching center and the BellSouth IP

1 in Jacksonville. In addition, AT&T would pay reciprocal compensation  
 2 for the transport between the BellSouth IP in Columbia and the BellSouth  
 3 end office. AT&T may choose to avoid tandem switching and common  
 4 transport reciprocal compensation payments by purchasing dedicated  
 5 transport from the BellSouth IP in Columbia to the BellSouth end office.  
 6 Under BellSouth's proposal, AT&T would be financially responsible for  
 7 providing the transport between its switching center and the BellSouth  
 8 Columbia end office where the call is to be terminated. AT&T may elect  
 9 to route the traffic on dedicated transport or on common transport.  
 10 Although these proposals differ somewhat, there is little financial  
 11 difference to the parties.

12 4. A BellSouth customer in Orangeburg calls an AT&T customer in  
 13 Columbia.

14 Under AT&T's proposal, BellSouth would be financially responsible for  
 15 providing the transport between its Orangeburg end office and the AT&T  
 16 IP in Columbia. In addition, BellSouth would pay reciprocal  
 17 compensation to AT&T for the use of AT&T's network to complete the  
 18 BellSouth originated call.

19 Under BellSouth's proposal, BellSouth would be financially responsible  
 20 for providing the transport only between its Orangeburg end office and an  
 21 IP located within the Orangeburg local calling area, that BellSouth  
 22 designates, at its own discretion. AT&T would be financially responsible  
 23 for providing the remaining transport between the BellSouth-designated

1 Orangeburg IP and the AT&T switching center in Columbia. BellSouth  
2 does not pay AT&T a transport or tandem switching component as a part  
3 of reciprocal compensation, only local switching.

4 The biggest difference between these proposals is that under BellSouth's  
5 proposal, AT&T must provide the transport from the BellSouth-designated  
6 Orangeburg IP across the LATA to AT&T's network without any compensation  
7 for such costs from BellSouth.

8  
9 **Q. WOULD YOU SUMMARIZE THE AREAS OF AGREEMENT AND**  
10 **DISAGREEMENT?**

11 A. AT&T has agreed that for its originating traffic it will be financially responsible  
12 for all the transport required to carry its traffic across the LATA to the BellSouth  
13 end office. BellSouth has not objected to this in Mr. Ruscilli's testimony. AT&T  
14 also has agreed to establish at least two IPs in each LATA in which AT&T  
15 provides local exchange services, unless the volume is too small to justify two  
16 IPs. BellSouth omitted to mention this point in Mr. Ruscilli's testimony, but  
17 seeing as that resolves many of BellSouth's concerns about transporting its traffic  
18 outside its basic local calling area, BellSouth may find this also acceptable.  
19 Given these areas of agreement, the area of disagreement relates to BellSouth's  
20 originating traffic that terminates to an AT&T customer within the LATA.

21  
22 **Q. HOW DO YOU RESPOND TO BELL SOUTH'S ASSERTION THAT,**  
23 **"AT&T'S THEORY WOULD MEAN THAT AT&T COULD HAVE A**

**PHYSICAL POINT OF INTERCONNECTION WITH BELLSOUTH'S  
'NETWORK' IN GREENVILLE, AND BELLSOUTH WOULD BE  
REQUIRED TO HAUL LOCAL CALLS ORIGINATING IN  
ORANGEBURG AND DESTINED TO TERMINATE IN ORANGEBURG  
ALL THE WAY TO GREENVILLE, AT NO COST TO AT&T."**

A. This is simply wrong. First, there are LATA restrictions and the FCC rules and orders adopting those rules were established knowing there are LATA restrictions still in place. If LATA restrictions are removed in the future, I have no doubt that the FCC would readdress its orders and rules to revise them to comport with the lifting of the LATA restrictions. Second, as I have stated previously, AT&T has agreed to establish at least two IPs in each LATA in which AT&T offers service, unless there is a *de minimus* volume of traffic. In any event, AT&T will have at least one IP in each LATA and BellSouth's assertion that it would be responsible for hauling local calls in one LATA into another LATA for completion has no basis in fact.

**Q. HOW DO YOU RESPOND TO MR. RUSCILLI'S CLAIM THAT UNDER  
FCC RULES AT&T IS OBLIGATED TO PAY THE COSTS OF  
INTERCONNECTION?**

A. Mr. Ruscilli's reliance on paragraphs 199 and 209 of the FCC's First Report and Order is misplaced. Under FCC rules, the ILEC may recover its costs to terminate the CLEC's originating traffic, and the CLEC may recover its costs to terminate the ILEC's originating traffic. Under FCC rules, the CLEC's

terminating costs are presumed to be the same as the ILECs. The CLEC, however, may make a showing to the state commission that its actual costs may be higher, and the state commission may adopt those rates for the CLEC. *See* 47 C.F.R. § 51.711. The FCC never contemplated that one party or the other is to be less than fully compensated for its costs to terminate the originating party's traffic. Moreover, the FCC rule also makes clear that "one LEC may not assess charges on any other telecommunications carrier for local telecommunications traffic that originates on that LEC's network."<sup>5</sup> As I stated in my direct testimony, this is exactly what BellSouth is proposing.

In its role as originating carrier, AT&T agrees to fully compensate BellSouth for transport that it provides to AT&T to complete AT&T's traffic, but does not propose to have BellSouth financially responsible for any of the cost that AT&T incurs to bring AT&T originated traffic to BellSouth's network for completion by BellSouth. BellSouth should be required to do the same.

**Q. HAS THE FCC DISCUSSED THE CONCEPT OF EQUIVALENT POINTS OF INTERCONNECTION?**

**A.** Yes, as outlined in my direct testimony, in its order on SBC's 271 application for Texas, the FCC made clear its view that under the Telecommunication Act, CLECs have the legal right to designate the most efficient point at which to exchange traffic. As the FCC explained, "New entrants may select the most efficient points at which to exchange traffic with incumbent LECs, thereby

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<sup>5</sup> 47 CFR §51.703(b).

1 lowering the competing carriers' cost of, among other things, transport and  
2 termination."<sup>6</sup>

3 The FCC has also articulated its view in other litigation. For example, in *In re*  
4 *TSR Wireless, LLC, et. al., v. U.S. West*<sup>7</sup> decision, the FCC reiterated its position  
5 that ILECs may not impose upon other telecommunications carriers charges for  
6 the facilities used to deliver LEC originated traffic.

7  
8 **Q. WHAT HAVE OTHER STATE COMMISSIONS HELD REGARDING**  
9 **AT&T'S PROPOSAL?**

10 A. Other state Commissions specifically have rejected the argument BellSouth  
11 proffers here that CLECs should be required to pay the costs to receive traffic  
12 within each local calling area established by the ILEC. For example, the Kansas  
13 Commission found that TCG should be permitted to establish an interconnection  
14 point at SWBT's local and access tandems while SWBT should establish its  
15 interconnection point at TCG's switch.<sup>8</sup> Similarly, The California Commission  
16 found that AT&T was not required to interconnect at each Pacific Bell end office  
17 and set default points of interconnection at AT&T's switch and Pacific Bell's

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<sup>6</sup> Memorandum Report and Order, Application of SBC Communications Inc., Southwestern Bell Telephone Company and Southwestern Bell Communications Services, Inc. d/b/a Southwestern Bell Long Distance, Pursuant to Section 271 of the Telecommunications Act of 1996 To Provide In-Region InterLATA Services in Texas, CC Docket No. 00-65, ¶ 78 (June 30, 2000).

<sup>7</sup> File Nos. E-98-13, et. al., FCC 00-194 (June 21, 2000) (Appeal filed *sub nom*, *Qwest Corp. v. FCC*, Docket No. 00-1376 (D.C. Cir. Aug. 17, 2000).

<sup>8</sup> Arbitrator's Order No. 5: Decision, *In the Matter of the Petition of TCG Kansas City, Inc. for Compulsory Arbitration of Unresolved Issues with Southwestern Bell Telephone Company Pursuant to Section 252 of the Telecommunications Act of 1996*, pp. 4, 10 (Aug. 7, 2000). The Kansas Corporation Commission affirmed the arbitrator's decision on this issue on September 8, 2000, making a clarification as to the cost to be imposed to convert trunks. See Order Addressing and Affirming Arbitrator's Decision at 9.

tandem switch.<sup>9</sup> Likewise, the Texas Public Utilities Commission specifically rejected SWBT's argument that AT&T must interconnect in each local calling area.<sup>10</sup> According to the Texas decision, "The FCC has clearly stated that the CLEC is the one that determines at which points on the ILEC's network it wants to interconnect, unless the ILEC demonstrates that the CLEC's proposal is technically infeasible."<sup>11</sup> Arbitrators in Michigan, Indiana, and Wisconsin also have held that each party is financially responsible for delivering its originating interconnection traffic to the terminating party's interconnection point.<sup>12</sup>

**Q. DOES BELLSOUTH'S PROPOSAL TO AGGREGATE ITS ORIGINATING TRAFFIC TO A SINGLE POINT OF ITS CHOOSING WITHIN THE BELLSOUTH LOCAL CALLING AREA NULLIFY AT&T'S CONCERNS ABOUT COLLOCATION SPACE EXHAUSTION AND HAVING TO GO TO EACH END OFFICE?**

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<sup>9</sup> Opinion, *Application of AT&T Communications of California, Inc. (U 5002 C), et al., for Arbitration of an Interconnection Agreement with Pacific Bell Telephone Company Pursuant to Section 252(b) of the Telecommunications Act of 1996*, Dkt. No. 00-01-022, p. 13 (CA PUC Aug. 3, 2000).

<sup>10</sup> Revised Arbitration Award, *Petition of Southwestern Bell Telephone Company for Arbitration with AT&T Communications of Texas, L.P., TCG Dallas and Teleport Communications, Inc. Pursuant to Section 251(B)(1) of the Federal Communications Act of 1996*, Docket No. 22315. (Texas PUC Sept. 27, 2000.)

<sup>11</sup> *Id.* at 9.

<sup>12</sup> See Arbitration Award, *Petition for Arbitration to Establish an Interconnection Agreement Between two AT&T subsidiaries, AT&T Communications of Wisconsin, Inc. and TCG Milwaukee and Wisconsin Bell, Inc. (d/b/a Ameritech Wisconsin), O5-MA-120* (Oct. 12, 2000); Decision of Arbitration Panel, *AT&T Communication's of Michigan Inc., and TCG Detroit's Petition for Arbitration*, Case No. U-12465 (Oct. 18, 2000) (The Michigan Public Service Commission affirmed this portion of the Arbitration Panel's Decision by Order dated November 20, 2000); Order, *AT&T Communications of Indiana TCG Indianapolis, Petition for Arbitration of Interconnection Rates, Terms, and Conditions and Related Arrangements with Indiana Bell Telephone Company, Incorporated d/b/a Ameritech Indiana Pursuant to Section 252(b) of the Telecommunications Act of 1996*, Cause No. 40571-INT-03 (Nov. 20, 2000). The Oklahoma Corporation Commission as part of its 271 deliberations, originally held that SWBT should allow CLECs to interconnect at a single technically feasible point to meet CLEC needs. However, the

1 A. No. Under BellSouth's proposal, BellSouth may unilaterally select an end office  
2 where collocation space is limited or exhausted. In such instances, AT&T would  
3 be required to interconnect at many end offices in a LATA.

4  
5 **Q. HOW DO YOU RESPOND TO MR. RUSCILLI'S ASSERTION ON PAGE**  
6 **32 THAT AT&T IS NOT HAMPERED IN ITS ABILITY TO COMPETE IF**  
7 **THE BELL SOUTH PROPOSAL IS ADOPTED?**

8 A. BellSouth fails to recognize that BellSouth's proposal not only increases CLECs'  
9 costs to enter the market, but also requires CLECs to create networks mirroring  
10 the embedded network BellSouth has in place today. As a result, a CLEC's  
11 ability to differentiate itself in the market is severely hampered. Because AT&T  
12 and BellSouth have agreed that all calls within the LATA are local, and BellSouth  
13 continues to sell more and more LATAwide local calling plans, BellSouth's  
14 proposal will result in AT&T having to place an IP in every local calling area,  
15 contrary to BellSouth's testimony that it will not.

16  
17 **Q. IN HIS DIRECT TESTIMONY MR. RUSCILLI SUGGESTS THAT THE**  
18 **ISSUE IS ONE OF COST ALLOCATION BASED ON THE AT&T**  
19 **NETWORK DESIGN. IS HE CORRECT?**

20 A. No. The question is not whether the parties' networks will be interconnected  
21 based on the network design of one party, but rather will the parties' networks be  
22 interconnected in a manner that is neutral to network design. It is only fair and

1 equitable that an interconnection arrangement does not favor any particular  
2 design.

3 AT&T should not suffer a burdensome and discriminatory network  
4 interconnection arrangement because it chooses to deploy a more efficient  
5 network design than the classic hub-and-spoke telephony architecture. The  
6 Commission should be sensitive to issues which give the incumbent carrier  
7 substantial competitive advantages over competing carriers. Accordingly, the fair  
8 outcome is for both AT&T and BellSouth to be interconnected on an equitable  
9 basis.

10  
11 **Q. HOW DO YOU RESPOND TO THE CLAIM THAT BELL SOUTH'S**  
12 **LOCAL EXCHANGE RATES DO NOT COVER ADDITIONAL**  
13 **TRANSPORT COSTS?**

14 A. In none of the call examples provided above, in which BellSouth is the originating  
15 party, is BellSouth required to provide transport for which it has no means to  
16 recover its costs.

17 With respect to a call from a BellSouth customer to an AT&T customer within the  
18 Orangeburg local calling area, where BellSouth has no toll revenue, BellSouth  
19 would have no obligation to provide transport beyond the Orangeburg local  
20 calling area, since AT&T has indicated it might place its IP in Orangeburg. With  
21 respect to a call from a BellSouth customer in Orangeburg to an AT&T customer  
22 in Columbia, BellSouth would have an obligation to provide transport to AT&T's

1 IP in Columbia; however this may be a toll call under BellSouth's current local  
 2 calling areas, and BellSouth would have the option to collect toll revenue for  
 3 these calls to cover its additional transport expenses to AT&T.

4 Therefore, the Commission should disregard BellSouth's baseless assertion, that  
 5 AT&T's proposal would impose costs on BellSouth for which it has no means to  
 6 recover.

7  
 8 **Q. ON PAGE 39, MR. RUSCILLI STATES THAT AT&T'S SOLUTION IS**  
 9 **SIMPLY AN ELABORATE RUSE THAT AT&T ATTEMPTS TO USE TO**  
 10 **IMPOSE THE ADDITIONAL COSTS OF ITS NETWORK DESIGN ONTO**  
 11 **BELLSOUTH. DO YOU AGREE?**

12 **A.** Absolutely not. First, AT&T's solution maintains the status quo of how the  
 13 financial responsibility is assigned to day. AT&T's network design has been in  
 14 place for several years, and AT&T's proposed solution is what is occurring today.  
 15 BellSouth is currently financially responsible for bringing its originated traffic to  
 16 AT&T's switch, and has not disputed any billing by AT&T that reflects this. By  
 17 the same token, AT&T is financially responsible for getting its originated traffic  
 18 to BellSouth's POI and has not objected to this responsibility. BellSouth's  
 19 proposal is the one that will change the imposition of costs on the other party, not  
 20 AT&T's. BellSouth's proposal will result in AT&T having to incur new  
 21 additional costs that it does not incur today.  
 22 Second, when BellSouth states that AT&T's proposal will raise its costs that are  
 23 not currently being recovered by its current basic local rates, this is simply not

1 true. AT&T's proposed solution – the status quo of today - has been in effect for  
 2 several years, and this Commission has yet to see a filing by BellSouth asking to  
 3 raise any of its rates to cover this “additional cost.”  
 4

5 **Q. WHAT IS AT&T ASKING THIS COMMISSION DO?**

6 A. AT&T is asking that the Commission retain the status quo and find that BellSouth  
 7 shall continue to be financially responsible for all of the costs of originating any  
 8 of its traffic within the LATA and delivering such traffic to AT&T switch or  
 9 designated interconnection point(s) if the switch serving a LATA is located  
 10 outside of that LATA.  
 11

12 **ISSUE 9: SHOULD AT&T BE PERMITTED TO CHARGE TANDEM**  
 13 **RATE ELEMENTS WHEN ITS SWITCH SERVES A GEOGRAPHIC**  
 14 **AREA COMPARABLE TO THAT SERVED BY BELL SOUTH'S**  
 15 **TANDEM SWITCH?**

16 **Q. HOW DO YOU RESPOND TO MR. RUSCILLI'S ASSERTION THAT**  
 17 **AT&T IS NOT ENTITLED TO THE TANDEM RATE BECAUSE AT&T**  
 18 **DID NOT SHOW THAT AT&T IS ACTUALLY PERFORMING A**  
 19 **TANDEM FUNCTION?**

20 A. Rule 51.711(a)(3) of the FCC's Interconnection Order provides, “ Where the  
 21 switch of a carrier other than an incumbent LEC serves a geographic area  
 22 comparable to the area served by the incumbent LEC's tandem switch, the  
 23 appropriate rate for the carrier other than an incumbent LEC is the ILEC's tandem

1 interconnection rate.” The plain language of the order is that there is no  
2 requirement that a CLEC network actually have a tandem switch or perform an  
3 intermediate switching function to receive the tandem interconnection rate. Any  
4 other conclusion would be illogical.

5 Carefully analyzing Mr. Ruscilli’s argument illuminates its tortured logic. If a  
6 CLEC were providing the actual local tandem switching capability, then  
7 according to Mr. Ruscilli, BellSouth would agree to pay the tandem  
8 interconnection rate to the CLEC. Therefore, to reach Mr. Ruscilli’s  
9 interpretation of Rule 51.711(a)(3), the FCC actually intended to make it more  
10 difficult for a CLEC to qualify for the tandem interconnection rate than an ILEC.

11 Under Mr. Ruscilli’s interpretation, BellSouth must merely provide tandem  
12 switching, but a CLEC must pass a two part test: first, it must actually provide  
13 the identical tandem switching functionality provided by the ILEC and the CLEC  
14 switch must also serve a geographic area comparable to the area served by the  
15 incumbent LEC’s tandem switch.

16 It is important to note that AT&T’s reliance on the FCC’s proxy rule for  
17 compensating CLECs for reciprocal compensation is in lieu of making an  
18 individual cost showing that AT&T’s costs are in fact higher than BellSouth’s  
19 rate, and thus should be compensated at a higher rate than BellSouth. (FCC Rule  
20 711(b)). It is quite possible for such a showing to be made by a CLEC,  
21 particularly in the early stages of construction of a local network that enjoys  
22 nowhere near the ubiquity and utilization that BellSouth’s network does.  
23

1   **Q.    WHAT ABOUT THE FCC’S LOCAL COMPETITION RULE, WHICH**  
 2       **MR. RUSCILLI CITES?**

3    A.    Clearly the FCC did not intend to hold a CLEC to a higher standard to qualify for  
 4       the tandem interconnection rate than an ILEC. Indeed, the FCC’s own comments  
 5       demonstrate this intent in Paragraph 1090 of the Local Competition Order, the  
 6       FCC stated:

7               [s]tates shall also consider whether new technologies (e.g., fiber  
 8               ring or wireless networks) perform functions similar to those  
 9               performed by an incumbent LEC’s tandem switch.... (Emphasis  
 10              added.)  
 11

12       This is not an additional test for CLECs, but an alternative by which the CLEC  
 13       may qualify for a “proxy” of the CLEC’s additional costs. Thus, it is clear that  
 14       actual local tandem (i.e., intermediate switching) functionality is not a  
 15       requirement for a CLEC to receive the tandem interconnection rate.

17   **Q.    ON PAGE 45 OF HIS DIRECT TESTIMONY, MR. RUSCILLI STATES**  
 18       **THAT AT&T SHOULD ONLY BE COMPENSATED FOR THE**  
 19       **FUNCTIONS IT ACTUALLY PERFORMS. DO YOU AGREE?**

20   A.    No. This is not the issue. The issue is whether AT&T should be compensated for  
 21       its costs to terminate BellSouth’s originated traffic. BellSouth is attempting to  
 22       frame the issue in a different manner than how the FCC framed the issue. A  
 23       careful reading of the FCC’s First Report and Order, paragraphs 1085 through  
 24       1091 clearly shows that nowhere does the FCC say that parties should “only be  
 25       compensated for the functions it actually provides, as BellSouth asserts. Instead

1 of forcing the states into costly and lengthy cost proceedings for CLECs, the FCC  
 2 proposes several proxies for “actual costs.” In paragraph 1085 of the FCC’s First  
 3 Report and Order, the FCC found “We also conclude that using the incumbent  
 4 LEC’s forward-looking costs for transport and termination of traffic as a proxy for  
 5 the costs incurred by interconnecting carriers satisfies section 252(d)(2) that costs  
 6 be determined ‘on the basis of a reasonable approximation of the additional costs  
 7 of terminating such calls’”. Again in paragraph 1088, the FCC stated that “We  
 8 find, however, that incumbent LEC’s costs, including small incumbent LEC’s  
 9 costs, serve as reasonable proxies for other carrier’s costs of transport and  
 10 termination”. And in paragraph 1090 of this same order, it says “where the  
 11 interconnecting carrier’s switch serves a geographic area comparable to that  
 12 served by the incumbent LEC’s tandem switch, the appropriate proxy for the  
 13 interconnecting carrier’s additional costs is the LEC tandem interconnection rate”.  
 14 The Commission should reject the manner in which BellSouth has attempted to  
 15 frame this issue and thereby reject BellSouth’s arguments. It clearly was not the  
 16 intent of the FCC for the amount of reciprocal compensation to be based on the  
 17 actual costs of the functions provided by interconnecting carriers. If such were  
 18 the case, then the FCC would never have allowed the incumbent LEC’s costs to  
 19 be used a proxies for CLEC’s costs.

20  
 21 **Q. FURTHER ON PAGE 45, MR. RUSCILLI STATES THAT AT&T MUST**  
 22 **PROVIDE THE FUNCTIONALITY OF A TANDEM SWITCH TO INCUR**

1       **THE COST OR IT SHOULD NOT CHARGE BELLSOUTH THE**  
 2       **TANDEM SWITCHING RATE. DO YOU AGREE?**

3     A.    Absolutely not. In paragraph 1090 of the FCC's First Order, the FCC says that  
 4        "states shall also consider whether new technologies (e.g., fiber rings or wireless  
 5        networks) perform functions *similar* to those performed by an incumbent LEC's  
 6        tandem switch and thus, whether some or all calls terminating on the new  
 7        entrant's network should be priced the same as the sum of transport and  
 8        termination via the incumbent LEC's tandem switch". Nowhere in its order does  
 9        the FCC say that the interconnecting carrier must provide the identical functions.  
 10       Why? Because to do so would be irrelevant, since the CLEC can charge and  
 11       BellSouth would pay, by its own admission, for providing identical functionality.  
 12       Additionally, AT&T is permitted to charge for tandem switching on every local  
 13       call because AT&T incurs its costs on every call. That is the point of the FCC's  
 14       proxy.

16    **Q.    ON PAGE 47, MR. RUSCILLI STATES THAT THE FCC POSED TWO**  
 17       **REQUIREMENTS THAT MUST BE MET BEFORE A CLEC WOULD BE**  
 18       **ENTITLED TO COMPENSATION AT BOTH THE END OFFICE AND**  
 19       **TANDEM SWITCHING RATES. DO YOU AGREE?**

20    A.    No. If this were the intention of the FCC, it would have clearly stated that in its  
 21        adopted rules. The rule in question, C.F.R. 55.711(a)(3) was first issued on  
 22        August 8, 1996, as part of the First Report and Order issued by the FCC. The  
 23        FCC has had over 4 years to revise this rule to reflect a two-part test if that is what

1 it intended. I find it hard to believe that BellSouth thinks that the FCC made a  
 2 mistake and “forgot” the second test when it wrote the rule or when it wrote the  
 3 sentence quoted above. The FCC did not forget the second test because it would  
 4 make no sense to include the second test proposed by BellSouth, since the CLEC  
 5 would be, by BellSouth’s own admission, entitled to the tandem rate by satisfying  
 6 the so-called second test alone.

7  
 8 **Q. ON PAGE 48, MR. RUSCILLI STATES THAT THE BASIC NETWORK**  
 9 **ARCHITECTURE USED BY AT&T IS THE SAME AS BELL SOUTH,**  
 10 **AND THUS THE COMMISSION NEED NOT MAKE ANY ATTEMPT TO**  
 11 **DETERMINE WHETHER THE NEW TECHNOLOGY DEPLOYED BY**  
 12 **AT&T PERFORMS SIMILAR FUNCTIONS TO TANDEM SWITCHING.**  
 13 **DO YOU AGREE?**

14 **A.** No. There has been no evidence filed by BellSouth to support this assertion.  
 15 AT&T has provided ample evidence in its direct testimony that AT&T’s network  
 16 architecture is substantially different than BellSouth’s. BellSouth would have the  
 17 Commission believe that any network that provides exchange and exchange  
 18 access service must have identical architectures. This simply is not the case.  
 19 Thus, the Commission should attempt, as other commissions have done, to  
 20 determine whether the new technology deployed by AT&T performs a function  
 21 similar to BellSouth’s tandem switches. Again, the key word is similar, not  
 22 exactly.

1   **Q.    BEGINNING ON PAGE 49, MR. RUSCILLI BEGINS A DISCUSSION OF**  
 2       **WHAT TANDEM FUNCTIONALITY IS AND WHETHER AT&T'S**  
 3       **SWITCHES PERFORM THE TANDEM FUNCTIONALITY DESCRIBED**  
 4       **BY MR. RUSCILLI. WHAT RELEVANCE DOES THIS TESTIMONY**  
 5       **HAVE?**

6    A.   None. For instance, Mr. Ruscilli on page 51 states that "To receive reciprocal  
 7       compensation at the tandem rate, a carrier must be performing the function  
 8       described in the FCC's definition of tandem switching". This is simply incorrect.  
 9       The rule BellSouth refers to is applicable to incumbent LECs only, not CLECs.  
 10      BellSouth false assertion directly contradicts the FCC in its First Report and  
 11      Order at Paragraph 1090, when it talks about similar, not exact, functions.  
 12      Further on in his testimony, Mr. Ruscilli states that AT&T switches must actually  
 13      be performing the tandem functions, "if for no other reason than the difference  
 14      between end office and tandem rates for reciprocal compensation is the same as  
 15      the UNE rate for tandem switching". Again ,what Mr. Ruscilli fails to mention is  
 16      that for AT&T these incumbent LEC rates are mere proxies for AT&T costs, in  
 17      lieu of AT&T having to provide its own cost studies. These proxies are meant to  
 18      compensate AT&T for the costs it incurs since it has a completely different  
 19      network architecture than what BellSouth has in place.

20

21   **Q.    ON PAGES 51 AND 52, MR. RUSCILLI QUOTES FROM VARIOUS**  
 22       **ORDERS WHERE EITHER STATE COMMISSIONS OR FEDERAL**  
 23       **COURTS SEEM TO UPHOLD BELL SOUTH'S VIEW THAT THE FCC**

**ADOPTED A TWO-PART TEST. ARE THERE OTHER STATE AND  
FEDERAL COURT CASES THAT FOUND THAT NO TWO-PART TEST  
IS REQUIRED?**

A. Yes. The most recent decision is one by the Indiana Public Service Commission.

The following is from the decision in Cause No. 40571-INT-03:

The FCC rules ignore tandem functionality<sup>13</sup> as a factor for purposes of determining whether a CLEC meets the requirements under 47 C.F.R. § 51.711(a)(3).<sup>14</sup> However, we believe that each AT&T COM and TCG switch performs certain tandem functions for the respective AT&T entity. As AT&T explained, each of these switches acts as an access tandem routing the preponderance of interLATA traffic directly to the applicable interexchange carrier. Talbott Direct Testimony, p. 43. Moreover, with respect to traffic between any AT&T customer and any Ameritech Indiana customer within the same LATA, AT&T has direct trunking to each Ameritech Indiana tandem in the LATA so that such traffic may be completed without transiting multiple AT&T switches or multiple Ameritech Indiana tandems. In other words, AT&T uses its switches in the same functional manner that Ameritech Indiana uses its tandem switches. Therefore, while it is not necessary for AT&T to demonstrate that its switches provide such tandem functionality in order to satisfy the requirements of the FCC rule, we conclude that AT&T has shown that its switches do act in the same functional manner as a tandem switch.

Clearly this Commission finds that there is no two-part test that must be met by  
AT&T.

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<sup>13</sup> We note that AT&T's witness, Mr. Talbott, claims that AT&T's switches also perform a substantial amount of traffic aggregation and, therefore, are performing the primary function of a tandem switch. Talbott Direct Testimony, p.43 and n. 13.

<sup>14</sup> A state commission may also find that a tandem rate could be charged even when the carrier does not serve a comparable geographic area. That is why the FCC states (in the middle of paragraph 1090, quoted above) that states shall also consider whether new technologies perform functions similar to an incumbent LEC's tandem switch. It is not that functionality is an additional requirement – it is that a state commission could find a tandem rate is applicable based upon functionality as an alternative. Ameritech Indiana, however, turns the FCC's test more restrictive by requiring that both tests (comparable geographic coverage and tandem functionality) be met. We reject this approach.

1   **Q.    DOES THE *MCI V. ILLINOIS BELL* CASE CITED BY MR. RUSCILLI**  
 2       **PROVIDE SUPPORT FOR HIS POSITION THAT AT&T IS NOT**  
 3       **ENTITLED TO THE TANDEM INTERCONNECTION RATE?**

4    A.    No. The MCI case cited in Mr. Ruscilli's direct testimony found that MCI was  
 5       not entitled to the tandem interconnection rate because MCI "expressly refused"  
 6       to introduce any "empirical data" on its switch's geographic reach. In contrast,  
 7       AT&T has provided this Commission with substantial evidence of the geographic  
 8       reach of its switches.<sup>15</sup>

10   **Q.    WHAT ABOUT THE US WEST CASE CITED IN MR. RUSCILLI'S**  
 11       **DIRECT TESTIMONY?**

12   A.    Contrary to Mr. Ruscilli's assertion, the United States District Court for the  
 13       District of Minnesota in *US West Communications v. Minnesota Public Utilities*  
 14       *Commission*, 55 F. Supp. 2d 968 (D. Minn. 1999) made clear that geographic  
 15       comparability alone is sufficient to support a finding that a CLEC is entitled to the  
 16       tandem rate. According to the decision, "[t]he evidence also indicated that the  
 17       MCS covers a geographic area comparable to that covered by a tandem switch.  
 18       Pursuant to the FCC rules, this alone provides sufficient grounds for a finding that  
 19       the appropriate rate for the MSC is the tandem switch rate." *Id.*, 55 F. Supp. 2d at  
 20       979.

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<sup>15</sup>       Indeed, the MCI case appears to be an anomaly. The ICC recently ruled in the Focal/Ameritech arbitration that Focal was entitled to the tandem interconnection rate based on similar evidence to that which AT&T has presented in this case. See Arbitration Decision, *Focal Communications Corporation of Illinois Petition for Arbitration Pursuant to the Telecommunications Act of 1996 to Establish an*

1  
2 **Q. ON PAGES 53 THRU 56, MR. RUSCILLI STATES THAT AT&T'S**  
3 **SWITCHES DO NOT PERFORM THE FUNCTIONS OF A TANDEM**  
4 **SWITCH. DO YOU AGREE?**

5 A. Although AT&T does not believe it must establish such functionality under  
6 applicable FCC rules, AT&T's switches do, in fact, provide the necessary  
7 functionality. In spite of this, AT&T provided evidence in its direct testimony  
8 demonstrating that AT&T's switches perform similar functions of a tandem  
9 switch. Despite of BellSouth's attempt to try to convince this Commission that  
10 AT&T is an ILEC and must meet the requirements of an ILEC, AT&T's switches  
11 do perform similar tandem switch functions. The true purpose of a tandem switch  
12 is to aggregate traffic. A tandem switch does this through an intermediate  
13 switching step. AT&T's network is performing tandem-like functions by  
14 aggregating traffic. BellSouth claims that AT&T must aggregate traffic the same  
15 way it does. However, intermediate tandem switching is not the sole means to  
16 aggregate traffic.

17 AT&T's network does indeed aggregate traffic across a broad geographic area,  
18 often a substantially larger area than a BellSouth tandem. This is something  
19 BellSouth has not disputed. Thus, the Commission should consider not whether  
20 AT&T's network is capable of intermediate switching, but rather whether it is  
21 capable of traffic aggregation. If so, then AT&T's network does indeed perform  
22 functions "similar to those performed by an incumbent LEC's tandem switch".

1 To show the level of aggregation that AT&T's network performs please review  
2 the following table. However, as I said earlier, the FCC does not require a CLEC  
3 to meet such a test. Therefore, AT&T has met a higher standard than required by  
4 FCC rules.

**TRAFFIC AGGREGATION FUNCTIONS**

<b>Traffic Type</b>	<b>BST Tandem</b>	<b>AT&amp;T Network</b>
Traffic between end office and IXC	YES	YES
Traffic between end office and other CLECs	YES	YES
Traffic between end office and independent LECs	YES	YES
Traffic between end offices	YES	YES
Traffic between AT&T switch and BST end office	YES	YES
Traffic between end office and operator service platform	YES	YES
Traffic between end office and 911 tandem	YES	YES
Overflow traffic	YES	NO

**Q. CAN YOU SUMMARIZE THE EVIDENCE THAT AT&T HAS PROVIDED REGARDING GEOGRAPHIC COMPARABILITY?**

**A.** Yes. In my direct testimony, AT&T provided a series of maps that show separately for AT&T and BellSouth the geographic area served by its respective switches (for AT&T) and tandems (for BellSouth) for each LATA in South Carolina. Comparing the AT&T switch service area to the BellSouth tandem service area shows that AT&T meets the requirement of § 51.711(a)(3).

**Q. ON PAGES 57 AND 58, MR. RUSCILLI IS ASKING THE COMMISSION TO FIND THAT AT&T SWITCHES DO NOT SERVE AS TANDEM**

1 SWITCHES BECAUSE OUR SWITCHES ARE ACTUALLY NOT  
 2 PROVIDING SERVICE TO THE SAME GEOGRAPHIC AREA AS  
 3 BELLSOUTH TANDEM SWITCHES. IS THIS A FINDING THAT IS  
 4 RELEVANT?

5 A. No. The FCC in adopting its rule 55.711(a)(3) and in supporting that adoption of  
 6 that rule in its First Report and Order never stated that a CLEC must actually be  
 7 serving customers throughout the same geographic area as the incumbent LEC.  
 8 While Mr. Ruscilli quotes from a couple of orders implying that this is a finding  
 9 that is critical to AT&T's case, there are similar state commission orders finding  
 10 just the opposite. Again, quoting from the Indiana arbitration decision between  
 11 AT&T and Ameritech, the commission found:

12 As we discussed above, we find AT&T has established persuasively that  
 13 its switches serve a geographic area comparable to that served by  
 14 Ameritech Indiana's tandem switches. We do not find, as Mr. Panfil  
 15 suggests, that AT&T is required to show the location of the customers or  
 16 what volumes of traffic exist in various geographic areas. It is sufficient  
 17 for AT&T to show, under the FCC's rules, that its network allows it to  
 18 terminate Ameritech Indiana's traffic over an area comparable to the  
 19 territory served by Ameritech Indiana's tandem switches. Mr. Panfil's  
 20 testimony does not refute this showing. (Order issued by IURC in Case  
 21 No. 40571-INT-03, page 35.  
 22 Further, the Indiana Commission relied upon a similar finding in a case in  
 23 Michigan dealing with an arbitration between MediaOne and Ameritech, where  
 24 that Commission found:

25 After reviewing the facts presented to the arbitration panel, the  
 26 Commission is persuaded that the area served by MediaOne's SONET  
 27 network is comparable to that served by Ameritech Indiana's tandem  
 28 switch. In so finding, the Commission is aware that MediaOne does not  
 29 yet have the same number of customers or locations of customers that the  
 30 incumbent currently has. Yet the Commission is persuaded that  
 31 MediaOne's switch is serving a geographic area that is broad enough to be  
 32 considered comparable to an Ameritech Indiana tandem. MediaOne is

1 currently licensed and holding itself out as a telecommunications provider  
2 in 42 communities in Southeast Michigan. In its orders licensing  
3 MediaOne to serve, the Commission held that MediaOne was capable of  
4 providing service to every person within the licensed areas. In the  
5 Commission's view, MediaOne sufficiently demonstrated that it serves a  
6 geographic area comparable to an Ameritech Indiana tandem. (*MediaOne*  
7 *Telecommunications of Michigan Inc. v. Ameritech Michigan*, Cause No.  
8 12198(March 3, 2000), page 18).  
9  
10

11 **Q. PLEASE SUMMARIZE WHAT YOU WANT THIS COMMISSION TO DO**  
12 **WITH REGARD TO ISSUE 9.**

13 A. AT&T requests the Commission conclude that AT&T switches serve a  
14 comparable geographic area as that served by BellSouth's tandem switches and  
15 that AT&T is thus entitled to the tandem interconnection rate.  
16

17 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

18 A. Yes.